



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 29, 1997

H.R. 134

A bill to authorize the Secretary of the Interior to provide a loan guarantee to the Olivenhain Water Storage Project, and for other purposes

As ordered reported by the House Committee on Resources on September 17, 1997

SUMMARY

H.R. 134 would authorize the Secretary of the Interior to provide a loan guarantee for the Olivenhain Water Storage Project (the project). CBO estimates that providing the loan guarantee would cost about \$7 million in fiscal year 1998, assuming appropriation of the necessary amount. Enacting H.R. 134 would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply to the bill. The bill contains no private-sector or intergovernmental mandates as defined by the Unfunded Mandates Reform Act of 1995 (UMRA) and would not impose any costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

H.R. 134 would authorize a guarantee for a loan of up to \$70 million for the project. Based on information provided by the Olivenhain Municipal Water District (the district), CBO assumes that the guarantee would be provided to a private developer (that has not yet been selected) for constructing the project. The district would lease the completed facility from the private developer. The lease payments would be derived from future increases in the district's water service rates and would represent the security for the loan. Assuming appropriation of the necessary amount, CBO estimates that providing the loan guarantee would cost about \$7 million in fiscal year 1998.

The Federal Credit Reform Act of 1990 defines the cost of a loan guarantee as “the net present value...[of] estimated payments by the government to cover defaults and delinquencies, interest subsidies, or other payments, and the estimated payments to the government including origination and other fees, penalties and recoveries.” This cost is

recorded in the year in which the loan is disbursed. Based on the water district's credit history, and assuming a 20-year repayment period for the loan, CBO estimates a subsidy cost of \$7 million in fiscal year 1998. The costs of this legislation fall within budget function 300 (natural resources and environment).

PAY-AS-YOU-GO CONSIDERATIONS: None.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The bill contains no private-sector or intergovernmental mandates as defined by UMRA and would impose no costs on state, local, or tribal governments. The municipal water district would have to agree to certain terms and conditions in order to receive the loan guarantee, but such an agreement would be voluntary.

ESTIMATE PREPARED BY:

Federal Costs: Gary Brown

Impact on State, Local, and Tribal Governments: Marjorie Miller

ESTIMATE APPROVED BY:

Robert A. Sunshine

Deputy Assistant Director for Budget Analysis